

NFIB.Michigan Fax Survey

National Federation of Independent Business

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3-15-05

YOUR INPUT NEEDED ON GOVERNOR GRANHOLM'S SINGLE BUSINESS TAX PROPOSAL!

Should NFIB support Governor Granholm's proposal to restructure the Michigan Single Business Tax?

☐ Yes

☐ No

☐ Undecided

Background: At the beginning of this year, Governor Granholm announced that she would be proposing changes to the state's Single Business Tax (SBT) that would restructure the tax to better reflect the current economic environment. The Governor's proposal would be revenue neutral to the state, that is, the tax would still raise the same amount of money after the changes. The major changes to the tax include lowering the rate from 1.9% to 1.2% for most filers and 2.0% to 1.2% for many small businesses, allowing a credit for 35% of personal property taxes paid for manufacturers only, allowing a credit for research and development of 1.2% of payroll, tripling corporate profits in the SBT base, eliminating the excess compensation credit, eliminating the gross receipts reduction, eliminating the special credit for unincorporated business, treating compensation of employees leased from a professional employer organization as compensation of the client business, raising taxes on insurance companies (except Blue Cross, HMO's and self-insured plans) and eliminating the special property tax treatment of commercial rental property for assessment purposes. The current gross receipts threshold of \$350,000 would remain as is and the scheduled repeal of the SBT in 2010 would be removed and the tax would continue.

Supporters of the Governor's plan believe that Michigan's economy and the world's economy have changed since the SBT was introduced in 1976 and that the tax no longer reflects the reality of the 21st century. They claim that the proposal would lower business taxes for 77% of Michigan businesses while increasing, or leaving unchanged, the taxes for 23% percent of businesses. Supporters also contend that insurance companies would shoulder much of the tax increase and that they are not currently paying their fair share. Proponents of the Governor's plan also point out that the plan will cut taxes for manufacturers that have been particularly hard hit by the economic downturn and pay more SBT than any other industry. They claim that the changes in the tax will better position Michigan for job growth and economic development while at the same time avoiding budget problems for the state by raising the same amount of money. Supporters feel that by raising the same amount of tax revenue, the state will be able to keep funding Michigan programs that contribute to the quality of life in the state and that these programs in turn keep the state attractive to new jobs and investment.

Opponents of the Governor's plan support tax relief for manufacturers, but are opposed to raising taxes on other job providers. They claim that even if the tax proposal raises the same amount of money at its inception it is clearly designed to raise more tax money in the long run so that state government can continue to spend and grow rather than stick to any long term spending reduction or budget discipline. Opponents also do not believe claims that 77% of businesses would see lower taxes. They contend that the elimination of the gross receipts reduction, special credit for unincorporated businesses and the excess compensation credit will shift the tax burden to service companies and sole proprietors who pay the SBT – a back door way of achieving a sales tax on services without putting it before the people for a vote. They also point out that the big manufacturers that complain about paying more of the tax are also the ones who support keeping the tax and want more smaller business to pay it so that their rate can be lowered. Opponents of the plan believe that shifting the tax around is a weak effort to keep Michigan competitive and that the only long term answer is to eliminate the tax or lower the rate for all businesses.

PLEASE FAX BACK TO NFIB AT (517) 485-2155

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13.8 % Yes

79.6 % No

6.6 % Undecided

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